



DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

Regulatory Commission of Alaska

*Sean Parnell, Governor*  
*Emil Notti, Commissioner*  
*Robert M. Pickett, Chairman*

March 5, 2010

In reply refer to: Finance Section  
File: PC49-0509  
LO#: L1000068

Adam Kashatok, Jr.  
APU City Administrator  
Akiak, City of  
P.O. Box 52028  
Akiak, AK 99552

Dear Mr. Kashatok, Jr.:

On March 4, 2010, the Commission approved updated **Permanent** PCE levels in cents per kilowatt-hour (¢/kWh) for Akiak, City of (AKIAK), for the listed classes of customers as follows:

All

35.85¢

The revised PCE levels are due to Commission approval of AKIAK's Annual Update submitted on June 29, 2009. The new PCE levels are effective for billings rendered after March 4, 2010. For your reference, copies of the Commission Staff's recommendations and schedules are attached as an Appendix.

The Commission reminds AKIAK of its continued obligation under the PCE legislation to provide its customers with the notice specified in AS 42.45.120 or similar notice approved by the Alaska Energy Authority.

The Commission also reminds AKIAK of its obligation under 3 AAC 52.620 and 3 AAC 52.640 to notify the Commission of any change in its rates, surcharges, and/or efficiency of operation and advises AKIAK that failure to comply with those requirements could jeopardize its continued participation in the program.

If AKIAK believes that the calculation used to establish the PCE level in this Letter Order is incorrect, it should seek reconsideration setting forth why it believes the calculation is in error. Any reconsideration request must be submitted within 15 days of the date of this Letter Order.


Letter Order-AKIAK  
Page 2 of 2  
March 5, 2010

If you have any questions regarding the calculation of PCE levels, please contact Utility Financial Analyst John White at (907) 276-6222.

BY DIRECTION OF THE COMMISSION

Sincerely,

REGULATORY COMMISSION OF ALASKA

  
for Robert M. Pickett  
Chairman

cc: Jeffery Williams, Alaska Energy Authority

# STATE OF ALASKA

**DEPARTMENT OF COMMERCE,  
COMMUNITY & ECONOMIC DEVELOPMENT**  
*REGULATORY COMMISSION OF ALASKA*

**SEAN PARNELL, GOVERNOR**

701 WEST EIGHT AVENUE, SUITE 300  
ANCHORAGE, ALASKA 99501-3469  
PHONE: (907) 276-6222  
FAX: (907) 276-0160  
TTY: (907) 276-4533  
WEBSITE: <http://rca.alaska.gov>

DATE: March 5, 2010

INVOICE#: 49-0509

DATE DUE: April 4, 2010

Adam Kashatok, Jr.  
APU City Administrator  
Akiak, City of  
P.O. Box 52028  
Akiak, AK 99552

Fee for Commission Staff analysis and recommendations Re:

**FILE #: PC49-0509**

**LO #: L1000068**

**Annual Update** under the Power Cost Equalization Program

Amount Due :	<u>\$ 471</u>
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TOTAL AMOUNT DUE:	<u>\$ 471</u>
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MAKE CHECK PAYABLE TO: **STATE OF ALASKA**

PLEASE REMIT CHECK AND COPY OF THIS INVOICE TO:

**REGULATORY COMMISSION OF ALASKA  
701 W. 8<sup>TH</sup> AVE., SUITE 300  
ANCHORAGE, AK 99501-3469**

If you have any questions, please contact Joyce McGowan at (907) 263-2132 or  
[joyce.mcgowan@alaska.gov](mailto:joyce.mcgowan@alaska.gov).

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**Akiak, City of**

**FILE #: PC49-0509**

**Amount Due: \$ 471**

**LO #: L1000068**

**Check Number** \_\_\_\_\_

Please tear along dotted line and submit payment with bottom portion. Thank you.

# UNREGULATED UTILITY POWER COST EQUALIZATION MEMORANDUM

Date: March 4, 2010

Date Due: May 31, 2009

File No.: PC49-0509

Date Filed: June 29, 2009

Name of Utility: Akiak, City of

Cert. No. 635

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Annual Update<br><input type="checkbox"/> Fuel Cost Update<br><input type="checkbox"/> Base Rate Change<br><input type="checkbox"/> Other _____ | <input type="checkbox"/> COPA Review<br><input type="checkbox"/> Non-Fuel Cost Change<br><input type="checkbox"/> kWh Sales Change |
|---|--|

STAFF RECOMMENDATIONS : Approval of updated Permanent PCE levels (see attached memo)

PCE LEVEL SUMMARY	Previously Approved	Staff Recommended
PCE LEVELS (In Cents/kWh)	Date Approved: February 18, 2010	
All	39.20¢	35.85¢

Signed : Kevin AufDerHeide *Kevin AufDerHeide* Utility Financial Analyst

Commission decision re. this recommendation :

	Date (if different from 3/4/10)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u><i>[Signature]</i></u>	_____	_____
Giard	_____	<u><i>[Signature]</i></u>	_____	_____
Lisankie	_____	<u><i>[Signature]</i></u>	_____	_____
Patch	_____	<u><i>[Signature]</i></u>	_____	_____
Wilson	_____	<u><i>[Signature]</i></u>	_____	_____

**Special Instructions to Staff:**

\* If this column is initialed, Staff will contact the Commissioner for the statement, otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

## Memorandum

TO: Robert Pickett, Chairman  
Kate Giard  
Paul Lisankie  
T.W. Patch  
Janis Wilson

DATE: March 4, 2010

FROM: Kevin AufDerHeide  
Utility Financial Analyst

RE: Akiak, City of  
(AKIAK) PC49-0509

### Recommendations

1. The updated PCE levels should be effective for billings rendered after March 4, 2010.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, efficiency, and rate changes should be included in the By Direction Letter to the utility.

### Background

Akiak, City of (AKIAK) filed its annual update of eligible costs on June 29, 2009, for the test year ending December 31, 2008 (FY08). Staff's contact for this filing was Mr. Adam C. Kashatok Jr., City Administrator. Staff recommends acceptance of this filing with the following exceptions:

- 3 adjustments to non-fuel costs
- 1 adjustment to gallons consumed

### Summary

After Staff's proposed adjustments, AKIAK's total costs per kiloWatt-hour (kWh) have decreased by 3.52 cents (¢) from 55.38¢/kWh (prior approved) to 51.86¢/kWh (FY08). The decrease is due to both lower non-fuel and lower fuel costs per kWh. AKIAK's fuel efficiency has decreased from the prior test period level of 12.54 kWh/gallon to 11.77 kWh/gallon. Line loss decreased from 12.00% adjusted to 6.02%. Staff's detailed analysis of this filing follows:

## Analysis

### Non-Fuel Costs

Total reported non-fuel costs increased by \$200,315 from \$104,253 (prior approved) to \$304,568 (FY08). Staff reviewed AKIAK's non-fuel costs by category (**KSA-1**) noting the following:

Personnel Expenses increased \$4,786 from \$79,088 (prior approved) to \$83,874 (FY08). Staff finds the reported amount reasonable and recommends no adjustments.

Operating Expenses increased \$94,374 from \$9,713 (prior approved) to \$104,087 (FY08). Staff reviewed the schedules provided with the filing, with the following results:

- Staff noted that \$17,970 of fuel payments were included as an operating expense, these payments are properly included under fuel expense and are not considered a non-fuel expense. Staff recommends disallowance of this expense from PCE consideration.
- Staff noted \$53,078 "cash due customers" expense and asked Mr. Kashotak Jr. for an explanation. He stated that this expense derives from the act of the utility writing checks to customers when they would make a payment using a check that was for more than the amount of their bill. Staff recommends disallowance of this expense from PCE consideration.
- Staff noted \$2,706 "cash exchange expense" and asked Mr. Kashotak Jr. for an explanation. He stated that this expense derives from the act of the utility exchanging cash with other entities when change is needed. Staff recommends disallowance of this expense from PCE consideration.

Based on the above, Staff recommends **Adjustment 1 (Appendix 2)** to reduce operating expenses by \$73,754 from the reported amount of \$104,087 to \$29,703. The \$74,384 consists of a \$17,970 reduction of fuel expense, \$53,708 reduction of cash due from customers, and \$2,706 reduction on cash exchange expense.

General & Administrative Expenses increased \$102,806 from \$9,903 (prior approved) to \$112,709 (FY08). Staff reviewed the schedules provided with the filing, noting the following:

- Staff noted \$95,032 in AEA fuel loan payments and heating fuel expense. These expenses are properly submitted as fuel costs not as non-fuel costs.
- Staff noted \$10,748 in payroll advances. Staff does not consider this a legitimate expense and recommends disallowance of this expense from PCE consideration.

Based on the above, Staff recommends **Adjustment 2 (Appendix 2)** to decrease *General and Administrative* by \$105,780, which consists of a \$95,032 of fuel expense and \$10,748 of payroll advance expense.

Depreciation Expense After updating AKIAK's depreciation schedule for current year additions/deletions, Staff recommends **Adjustment 3 (Appendix 2)** to decrease the reported depreciation expense of \$5,993 by \$959 to \$5,034. Staff's depreciation figure is smaller than that reported by AKIAK due to AKIAK's reporting of depreciation expense for 2006 instead of 2008, which resulted in the inclusion of expense for items which were at the end of their depreciable life.

Interest Expense increased \$172 from \$1,233 (prior approved) to \$1,405 (FY08). Staff considers the reported amount reasonable and recommends no adjustments.

Other Expense/Revenue increased from \$0 (prior approved) to \$3,500 (FY08). The other revenue reported was categorized as waste heat in-kind revenues. Staff's position has been that costs incurred to acquire, administer, and maintain assets that generate additional revenue do not fit the criteria of "used and useful" in the sale of power and therefore, do not qualify for PCE subsidy.

Examples of these costs are depreciation and maintenance expense for a utility building that has rental office space, poles that are rented to telephone or cable companies, or generators that have waste heat recovery systems. Since these costs are usually commingled with the utility's eligible costs, a reduction to non-fuel costs by the amount of non-electric revenues has been the preferred approach.

## **Fuel Costs**

AKIAK submitted its most recent fuel cost update on January 8, 2010. This update reflected a new fuel price per gallon of \$4.6704 for 62,500 gallons. Staff has included this information in its calculation of weighted average fuel price in **Appendix 2**.

## **Fuel Efficiency**

In the current test year, AKIAK's efficiency measurement of 11.77 does not meet the established minimum efficiency standard in 3AAC 52.620 (c)(1)(D) that requires a minimum efficiency standard of 12.5 kilowatt-hours generated per gallon of diesel fuel consumed for utilities that use 80 percent or more diesel generation and generate between 1,000,000 to 9,999,999 kilowatt-hours annually. 3AAC 52.610(f)(1) states that total fuel cost is calculated by multiplying the price of fuel per gallon times the lesser of the actual number of gallons consumed or the number of gallons that would have been consumed had the utility achieved line loss and efficiency standards. Accordingly, Staff recommends **Adjustment 4 (Appendix 2)** to reduce the 92,701 reported gallons consumed by 5,400 to 87,301 gallons, the number of gallons needed to achieve efficiency standards.

# AKIAK POWER UTILITIES

APPENDIX 1

## POWER COST EQUALIZATION CALCULATION FOR TEST PERIOD ENDING DECEMBER 31, 2008 Annual Update

	PC49-0505N	PC49-0509	
	Prior Commission Approval	Utility Request	Staff Recommended
A. Total kWh Generated	906,410	1,091,263	1,091,263
B. Total kWh Sold (Appendix 2)	797,640	1,025,533	1,025,533
C. Total Non-Fuel Costs (Appendix 2)	104,253	304,568	124,075
D. <b>Non-Fuel Cost/kWh (C / B)</b>	<b>\$0.1307</b>	<b>\$0.2970</b>	<b>\$0.1210</b>
E. Total Fuel Costs (Appendix 2)	337,502	432,951	407,731
F. <b>Fuel Costs/kWh (E / B)</b>	<b>\$0.4231</b>	<b>\$0.4222</b>	<b>\$0.3976</b>
G. Eligible Costs/kWh (D + F)	\$0.5538	\$0.7192	\$0.5186
H. Eligible Cost/kWh (G) less base rate in effect	\$0.4126	\$0.5780	\$0.3774
	\$0.4126	\$0.5780	\$0.3774
I. Lesser of (H) or 85.88 cents/kWh			
J. Average Class Rates (Appendix 3)	\$0.4888	\$0.4888	\$0.4888
ALL			
	Class Power Cost Equalization Per kWh Payable		
K. Lesser of: (I) x 95% or (J)			
ALL	\$0.3920	\$0.4888	\$0.3585
L. <b>Funding Level in Effect</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
ALL	<b>\$0.3920</b>	<b>\$0.4888</b>	<b>\$0.3585</b>



# AKIAK POWER UTILITIES

APPENDIX 2

SCHEDULE OF ELIGIBLE POWER COSTS, SALES, AND EFFICIENCY  
FOR TEST PERIOD ENDING DECEMBER 31, 2008

Annual Update

		PC49-0505N		PC49-0509	
		Commission Approval	Per Utility	Staff Adjustments	Per Staff
<b>Non-Fuel Costs:</b>					
A. Personnel Costs		79,088	83,874	0	83,874
B. Operating Expenses		9,713	104,087	Adj #1 (73,754)	30,333
C. General & Administrative		9,903	112,709	Adj #2 (105,780)	6,929
D. Depreciation		4,316	5,993	Adj #3 (959)	5,034
E. Interest Expense		1,233	1,405	0	1,405
F. Wasteheat In-Kind Revenues		-	(3,500)	0	(3,500)
G. Total Non-Fuel Costs		<b>\$104,253</b>	<b>304,568</b>	<b>(180,493)</b>	<b>\$124,075</b>
<b>Fuel Costs:</b>					
H. Gallons Consumed for Electric Generation		72,264	92,701	Adj #4 (5,400)	87,301
I. Price of Fuel:(cts. per gal) Weighted Average		\$4.6704	\$4.6704		\$4.6704
J. Total Cost of Fuel (H x I)		<b>\$337,502</b>	<b>\$432,951</b>		<b>\$407,731</b>
K. kWh Generated		906,410	1,091,263	0	1,091,263
L. kWh Sales		797,640	1,025,533	0	1,025,533
M. Efficiency (M / H) >=	<u>Standard</u> 12.50	12.54	11.77	0.73	12.50
N. Line Loss <=	12.00%	12.00%	6.02%	0	6.02%

PC49-0509  
Appendix 2

## Calculation of Average Class Rate per kWh

Rate Schedule: ALL

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (E)/(A)	(7) Avg. Rate (\$/kWh) - \$.1412/kWh
500	0.6300	0.0000	0.6300	315.00		
500				315.00	0.6300	0.4888
<b>TOTAL (A)</b>				<b>(E)</b>		

**AKIAK POWER UTILITIES**  
TREND ANALYSIS

**Personnel Costs**

Total Compensation  
Employer Paid Taxes  
Workers Compensation  
**Total Personnel Expenses**

**Operating Expenses**

Generator Oil  
Generator Filters  
Generator Repairs & Maint (Parts/Freight)  
Tools  
Equipment Rental  
Other:  
**Total Operating Expenses**

**General and Administrative**

Outside Professional Services  
Insurance  
Office Supplies  
Freight  
Office Rent  
Travel  
Training  
Bad Debt Expense  
RCA Fees  
Other:  
**Total General and Administrative**

**Interest Expense**

**Depreciation**

**Other Revenues: Wasteheat In-kind**

**TOTAL**

kWh Generated  
kWh Sold  
Gallons Consumed  
Efficiency  
Line Loss

2002	2004	2008				
Amended	Amended	Utility	Variance	Percent	Staff	Amended
Expenses	Expenses	Filing	\$	%	Adjustments	Expenses
73,150	72,452	80,521	8,069	11.14%	0	80,521
7,978	6,636	1,871	(4,765)	(71.81%)	0	1,871
-	-	1,482	1,482	100.00%	0	1,482
81,128	79,088	83,874	4,786	6.05%	0	83,874
1,729	1,884	3,908	2,024	107.43%	0	3,908
272	412	2,170	1,758	426.70%	0	2,170
5,968	-	11,435	11,435	100.00%	0	-
185	308	-	(308)	(100.00%)	0	-
-	-	1,820	1,820	100.00%	0	1,820
1,453	364	84,754	84,390	23184.07%	(73,754)	11,000
9,607	9,713	104,087	94,374	971.63%	(73,754)	30,333
-	-	-	-	0.00%	-	-
-	5,308	-	(5,308)	(100.00%)	0	-
1,035	690	-	(690)	(100.00%)	0	-
1,980	-	817	817	100.00%	0	817
-	-	400	400	100.00%	0	400
3,112	1,879	674	(1,205)	(64.13%)	0	674
-	1,833	4,538	2,705	147.57%	0	4,538
-	-	-	-	-	-	-
-	-	40	40	100.00%	0	40
239	193	106,240	106,047	54946.63%	(105,780)	460
6,366	9,903	112,709	102,806	1038.13%	(105,780)	6,929
1,026	1,233	1,405	172	13.95%	0	1,405
4,254	4,316	5,993	1,677	38.86%	(959)	5,034
-	-	-	-	-	-	-
-	-	(3,500)	(3,500)	(100.00%)	0	(3,500)
102,381	104,253	304,568	200,315	192.14%	(180,493)	124,075
817,817	906,410	1,091,263	184,853	20.39%	-	1,091,263
695,083	797,640	1,025,533	227,893	28.57%	-	1,025,533
69,508	72,264	92,701	20,437	28.28%	(5,400)	87,301
10.00	12.54	11.77	-0.77	(6.14%)	0.73	12.50
15.01%	12.00%	6.02%	-5.98%	(49.83%)	0.00%	6.02%

PC49-0509  
KSA-1

**AKIAK POWER UTILITIES**

Schedule KSA-2

**DEPRECIATION SCHEDULE**

FOR TEST YEAR ENDING: December 31, 2008

<u>Asset</u>	<u>In-service</u>	<u>Cost</u>	<u>Life</u>	<u>Accum</u> <u>Dep</u> <u>12/31/07</u>	<u>Book</u> <u>Value</u> <u>12/31/2007</u>	<u>2008</u> <u>Depreciation</u>	<u>Accum</u> <u>Dep</u> <u>12/31/2008</u>	<u>Book</u> <u>Value</u> <u>12/31/2008</u>
Power Poles & Wires	1983	79,907	25	78,342	1,565	1,565	79,907	0
Waste Heat Sys.	1992	17,987	17	16,411	1,576	1,118	17,529	458
Meters and Service Wire	2004	2,472	20	496	1,976	124	620	1,852
Generator	2005	16,765	10	5,869	10,896	1,677	7,546	9,219
AMPY Meters	2008	11,000	10	4,400	6,600	550	4,950	6,050
		<u>100,366</u>		<u>99,384</u>	<u>24,411</u>	<u>5,034</u>	<u>98,056</u>	<u>2,310</u>

**Total Depreciation and Amortization**

5,034

**Reported**5,993**Adjustment**(959)